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portable surplus next fall is now dependent upon the kind of weather that we get this summer. It is not possible that we shall be able to export anything like the amount that we ought to export, and there can be no doubt that we should exert to the utmost the only power that we have—that of economizing in consumption. Unless we should be fortunate enough to get an unexpectedly large crop of spring wheat this summer, this economy must continue not only through this calendar year but at least until next summer. It is to be hoped that before the time for the sowing of winter wheat next fall there will be effected the same sort of organization for getting wheat that has been effected for getting dollars, because the one is just as vitally important as the other.

## THE LIVE-STOCK AND MEAT SITUATION

By L. D. H. WELD,

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In consideration of war-time food problems, there is perhaps no industry which is of more vital importance than the live-stock and meat industry. Meat furnishes an extremely important part of the soldier's ration and of the family diet in America, and the demands from the Allies have been increasing. Furthermore, there is no industry in the country which can point to such a proud record of achievement, in that the live-stock raisers and the packers have fulfilled all war-time demands, and have delivered promptly.

The accomplishments of this industry are all the more remarkable when one considers the situation immediately preceding the war. Live-stock production had not been keeping pace with population. There was, however, no need for it to do so, because until recent years we had always had much more meat than we needed, and we exported heavily to foreign countries. Since 1900, Argentina and Australia have been gradually taking our place in foreign markets because they could produce beef and mutton more cheaply than we could. As a result, our exports had dwindled to a very small amount before the war, and we were producing only enough to feed ourselves. With the outbreak of the European war, unusual demands were made on the United States for beef and

pork and fats. Our exports of beef products increased from 148,000,000 pounds in 1914 to 411,000,000 pounds in 1917, and our exports of pork products increased from 922,000,000 pounds in 1914, to 1,500,000,000 pounds in 1917.

#### INCREASING PRODUCTION

To satisfy this demand from abroad, the American farmer came to the rescue by increasing his production of live stock, with the result that there are more cattle and hogs on farms today than ever before in the history of the country. During both 1916 and 1917 there were more cattle marketed than ever before, and it was commonly thought that these large shipments must mean that the stock of live animals was being sacrificed to supply the great demand. The estimates of the United States Department of Agriculture, however, showed an increase in the number of cattle on farms for January, 1917, as compared with January, 1916, and a still further increase was reported for January, 1918.

The number of hogs marketed in 1917 was not quite as large as the number marketed during 1916, but it was greater than for any year previous to the war. The Department of Agriculture estimates show an increase in the number of hogs on farms for 1918, and hog production has been increasing rapidly during the past few months due to the large corn crop of 1917, and in spite of the fact that much of this corn is of poor quality.

Because of the smaller marketings of hogs during 1917, and because it was believed that the supply of cattle was being used up, it appeared during the fall of 1917 that there might be a shortage of meat. Consequently the Food Administration took the matter in hand and established a department known as the Meat Division, to handle problems connected with the live-stock and packing industry. The Food Administration has done five principal things in attempting to improve conditions in the live-stock and meat industry:

1. An attempt has been made to encourage the production of hogs by promising to maintain, if possible, a minimum price of \$15.50 per hundredweight in Chicago. This was not an absolute promise on the part of the government, but it was believed that through purchases for the army and the Allies, the price could be kept above that point. This announcement undoubtedly en-

couraged farmers to breed and feed hogs during the winter, and the Chicago price has remained well above this minimum practically all of the time. Hog production is generally conceded to have been profitable to farmers in the corn belt during the past few months.

2. The Food Administration attempted to reduce consumption of meats by establishing meatless Tuesdays, porkless Saturdays, and one meatless meal a day. Parts of the country had two meatless days a week. The stock raisers of the country have never been enthusiastic about meatless days and have continually protested against them on the ground that they reduced demand, and consequently prices, with the result that their feeding operations were rendered unprofitable. It is undoubtedly true that many farmers who bought cattle at the high prices which prevailed last fall, merely to fatten them for market, have lost money during the winter, although those who have held long enough to obtain advantage of the increase in prices that has been occurring during March and April may have come out whole or even made a profit on their season's operations.

Since January, 1918, there has been a great increase in the number of hogs marketed and in their average weight. The number received at ten principal markets was 18 per cent greater for February and March, 1918, than for the corresponding two months in 1917, and the average weight showed an increase of about 14 per cent. This means that of late pork production has been nearly one third greater than it was last year. It was largely because of this situation that all bans on meat consumption were removed for a period of thirty days beginning the first of April. At present, pork is plentiful and the packers have larger accumulations of pork products than ever before. It is perfectly legitimate and patriotic to eat pork now (April, 1918); otherwise the price may fall and thereby discourage production.

Meatless days undoubtedly made available for shipment to the Allies larger quantities of meat than would otherwise have been the case. This is especially true of beef, which was accumulated by the packers in the form of frozen beef during the fall months of heavy receipts and held for future shipment. These stocks of frozen beef have subsequently been shipped to the Allies, and beef is none too plentiful at present although there is no shortage.

3. The Food Administration has centralized the purchase of

all meat supplies for the Allies in the Meat Division. This policy has been highly beneficial because it results in the better adjustment of purchases to actual needs and avoids duplication of effort.

4. The Food Administration has attempted to regulate the daily receipts of live stock in Chicago and Kansas City by establishing a zone system of shipment. Formerly live-stock shipments reached Chicago on two days of the week, chiefly Monday and Wednesday, and this custom, which grew up years ago, has been one reason for the fluctuation of live-stock prices. Although this zone system has not been entirely perfected, yet it is an important step in the right direction and has already proved beneficial. It cannot, however, cure the fluctuations in prices, because these fluctuations depend also on the varying receipts from week to week and from month to month, and also on the variations in the demand for meat.

5. Finally, the Food Administration has licensed the packers under the food control law, and it has also limited the profit of the five largest packers in the meat departments of the business to 9 per cent on the capital employed. This limitation amounts to a little over two cents on each dollar of sales. No profit whatever is guaranteed. On certain other branches of the business, which utilize by-products of the meat departments, the limitation is 15 per cent; and on still other branches, which have no connection with the meat departments, such as the butter and egg operations, there is no limitation at all. It would, of course, be discriminatory to limit the profits on these outside departments, unless the profits of other concerns outside the packing business were similarly limited.

#### PACKERS' PROFITS

There is a good deal of misunderstanding and misapprehension concerning the extent and significance of the profits earned by the large packers. Many consumers feel that the high prices of meat are due to extortionate packer profits, while many farmers feel that the prices of live stock are low for the same reason. To refer to my own company, Swift & Company's profits in 1917 were less than four cents on each dollar of sales. The profit on dressed beef was only about one-fourth of a cent per pound. Complete elimination of these profits would have had practically no effect on the prices of meat and live stock. There is probably no business in the country where the profit is so small in relation to turnover, and where it is such an insignificant factor in prices.

There are those who admit that the packers' profits are small as compared with sales, or as compared with unit of output, but who insist that they represent earnings which are too large with respect to capital employed. It is true that profits were larger in 1917 than for any previous years, but the volume of sales was also much larger, due principally to the high level of prices prevailing,—and it is an easy matter to prove that these profits were reasonable as compared with profits earned in other industries, and that more than a normal profit is necessary during these abnormal times as a protection against rapid industrial changes and price fluctuations, and in order to finance the business at the extremely high prices prevailing. So far as Swift & Company is concerned, everything earned over a fair rate of return to stockholders has been put back into the business to finance operations and to build additions and improvements.

If the large packers had a monopoly of the meat business, there might be more reason to consider a permanent policy of government control of the packing business and limitation of profits. Even if the five large packers worked together, they would handle only about one-third of the total meat supply of the country, and only about 60 per cent of the total handled through slaughtering houses that are inspected by the United States government. But the packers do not act in coöperation with each other in attempting to control either the prices of live stock or the prices of dressed meats. Any person who makes an impartial first-hand study of the methods of dealing in live stock and the sale of dressed meats through the branch houses of the packers, will be struck by the intensity of the competition rather than by any indication that there is monopoly control or manipulation of prices.

The large packing industry is essential in the carrying out of our war-time program. What other form of organization could have shipped 24,000,000 pounds or 800 car loads of meat in one week on three days' notice, as recently did the company that I represent? I may be accused of seizing this opportunity to do a little special pleading on my own account, but I consider it a patriotic duty to call attention to these facts in order to point out the injustice of trying to embarrass an essential and honestly conducted business, especially at a time when its services and coöperation with the government are so vitally necessary to the welfare of the country.

## THE FOOD ADMINISTRATION AND THE FOOD SITUATION

On the whole, I feel that the Food Administration has done well in dealing with the live-stock and meat situation and that its efforts deserve the hearty coöperation of all people in the country. It has made mistakes, but it has been willing to correct them. The administration of the Meat Division has been honest and fair, and has been actuated by only the highest patriotic motives. Speaking of the work of the Food Administration in dealing with the food situation in its entirety, I also believe that on the whole it has done its work well and that it has been a great benefit to the country. There are two or three matters, however, in which its policies have not appealed to me as a scientific economist. I refer especially to the attitude of the Food Administration toward the marketing organization in general, and toward speculation.

Although the Food Administration has announced that it does not wish to disturb existing business machinery, I feel that some of its rulings and public announcements have tended to confirm the popular opinion that the present marketing system is wasteful and cumbersome in the extreme, and that goods pass through the hands of too many middlemen on the way from farmer to consumer. The marketing process is complex and costly at best. Many important and difficult services have to be performed, such as the gathering of goods from a myriad of sources; the providing of storage facilities (often with refrigeration); the tying up of capital; the giving of credit and the making of collections; the assumption of risks of loss from price fluctuation, deterioration in quality, etc.; the sorting and grading of commodities and the breaking up of large quantities into small units; the sending out of salesmen to make business connections and to see that each customer gets exactly the quantity and quality of goods that he needs; the delivery of goods to customers; and the maintenance of an accounting machinery to take care of myriads of transactions.

To eliminate a middleman does not eliminate the services that he performed. It merely means that someone else has to perform them. The middleman system has developed for the simple reason that it furnishes the most economical and expeditious method available for performing the marketing functions. It is simply a case of specialization—of division of labor—which results in the greatest

product for the least effort, just as division of labor has this result in the manufacturing process.

### SPECULATION AND PRICE FIXATION

And again with regard to speculation, I feel that the attitude of the Food Administration tends to confirm the popular notion that speculation—the holding of goods for higher prices—is something reprehensible. Speculation means the buying up of goods and holding them with the hope of re-selling them at a profit rather than at a loss. Since the production of farm products is seasonal, someone must tie up his capital and assume the speculative risk of holding commodities; whoever does so is a speculator, be he farmer, dealer, professional speculator, or consumer. Speculation is necessary; it is a benefit to all mankind. The speculator loses money as often as he makes a profit; his average long-run profit is no more than reasonable.

Speculative competition has two principal functions: it automatically distributes the available stock of commodities over a period of time until a new stock comes to market; and it automatically distributes the available stock at any one time geographically, so that each section of the country, each state, each community, each dealer, gets just the quantity needed. Let the government take away these functions from dealers by fixing the price below the normal price, and it, the government, immediately becomes responsible for the performance of these functions. This explains largely why the distribution of coal and sugar has been unsatisfactory, and why we used wheat too freely last fall and winter.

I am not saying that the government did wrong in fixing prices, which have been lower than they otherwise would have been, but I merely want to point out that speculation is a useful and beneficial thing, and that it does not deserve the popular prejudice that exists against it. Much of the unrest among farmers and consumers is due to a lack of understanding of the marketing organization and of the functions of speculation, and the only way to eventually cure the dissatisfaction resulting from this ignorance, is to gradually educate the public along sound economic lines.

In conclusion, to come back to the meat situation; the supply of meat has increased; the retail prices of meats have not advanced as much as the prices of many other commodities, nor as much



as money wages; neither have they advanced as much as the prices paid to farmers for live stock. All war-time demands have been met in full and on time. The packing industry is being regulated by the government, its profits are limited, and live stock is being converted into meat and delivered to consumers at the lowest possible cost and profit. The situation is favorable and the outlook for the future is encouraging. Nevertheless, it is necessary to proceed with caution, and to maintain live-stock production at profitable prices. Overseas demands are increasing, and we must be prepared to meet successfully any contingency, such as a poor corn crop, a prolonged drought in the live-stock producing areas, or an epidemic of live-stock disease.

## THE WORK OF THE FEDERAL FOOD ADMINISTRATION

BY JAY COOKE,

Federal Food Administrator for Philadelphia County

The Food Administration was created to meet an urgent war need. Just exactly what its work was to be no one clearly foresaw. All did foresee the large part that America's food would play in winning the war, but just what could be done was not known. Neither could any one foresee the type of problem that would arise. To the Food Administration, therefore, was committed the responsibility of meeting situations as they arose.

This paper will endeavor to state what some of these problems were, and how they were met. The examples have been chosen at random from those which have been constantly arising.

Upon our entering the war, the ordinary business forces that make for a fair distribution of products and a fair price for those products were suspended. It became the function of the Food Administration to put into force rulings that would protect the long term interests of producers and consumers. The fundamental principle on which the Food Administration proceeds is reliance upon the will and ability of a democracy to adjust itself to the needs of the nation without autocratic control.